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Chairman Lawrence, Chairman Berry and Members of the Energy, Utilities and Technology Committee,

The Office of the Public Advocate (“OPA”) testifies neither for nor against of LD 1741 “Resolve, Directing the Public Utilities Commission To Examine Performance-based Rates for Electric Utilities” which would require the Public Utilities Commission (“PUC”) to open a proceeding to examine the rate plans of each investor-owned transmission and distribution utility in the State. The PUC is directed to examine rate design, existing performance metrics and any incentives for efficient operation that are currently in place for each investor-owned transmission and distribution utility and to specifically consider performance measures including a utility's reliability, billing accuracy, level of renewable energy generation integration and customer satisfaction. Based on its review, the PUC shall determine the appropriateness of any reasonable rate-adjustment mechanisms, including enhanced positive and negative financial incentives linked to performance.

In addition to the above LD 1741 would require the PUC to assess performance metrics as they relate to the utility’s reliability as measured by the amount of service interruption, billing accuracy, level of renewable energy generation integration and customer satisfaction.

It is important to note that with the exception of the degree of renewable integration, the PUC, in any rate case or rate investigation, routinely looks at these metrics. Additionally, the utilities are required to submit annual reports on their service interruption metrics. All regulation involves some form of incentive. In a

traditional “cost of service” ratemaking proceeding regulators evaluate performance based upon sales, revenue, and price (rates), as well as reliability, safety and quality. Modifications to the “cost of service” model, introduced in Maine in the 1990’s, created what is called “performance based” ratemaking or “alternative rate plans” (ARPS), with the goal of creating more market-like incentives for an electric utility to increase its operational efficiency and maintain high-quality service to customers.

Though neither Central Maine Power Company (“CMP”) nor Emera Maine (Emera”) currently is regulated under an “alternative rate plans” (“ARP’s”) each having had ARP’s in the past. In fact, CMP was under three successive ARPs spanning from the late 1990s until 2013.

More recently, the PUC has encouraged Emera to propose an ARP, but to date the utility has declined.

In either form of regulation, close examination of the incentives under which regulated utilities operate is always carried out. The OPA, however, believes the PUC is performing this important function. Therefore, it is not clear to us that this Resolve is warranted and it could in fact lead to unnecessary expenditures of State and utility resources especially when utilities’ costs of participating in this examination could be placed in rates.

We do note that LD 1741 contains no direction to either file a report with the committee or to impose any requirements on the utilities.

The OPA takes no position on whether the examination of renewable integration should occur.

Thank you for your time, attention and consideration of this testimony. The Office of the Public Advocate looks forward to working with the Committee on LD 1741, and will be present at the work session to assist the Committee in its consideration of this bill.

Respectfully submitted,

A handwritten signature in cursive script that reads "Barry J. Hobbins".

Barry J. Hobbins, Public advocate